GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:982
ANSWERED ON:10.07.2009
LOAN TO SMES
Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Siddeswara Shri Gowdar Mallikarjunappa

Will the Minister of FINANCE be pleased to state:

(a) whether the government proposes to bring lending rates for the Small and Medium Enterprises (SMEs) at affordable rates;

(b) if so, the details thereof;

(c) whether SMEs sector has been facing problems in securing loans;

(d) if so, the reasons therefor and the steps taken by the Government in this regard;

(e) whether Small Industries Development Bank of India (SIDBI) has procured a loan from the World Bank to assist SMEs;

(f) whether some State Governments including Karnataka have approached the union government to direct SIDBI to resume refinance facility to State Finance Corporations; and

(g) if so, the details thereof along with the action taken thereon ?

Answer

Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) & (b) It has been the constant endeavor of the Government to make loans affordable for the SME Sector. As a part of stimulus package, SIDBI has provided refinance to Public Sector Banks (PSBs) for on lending to MSME sector at affordable rates. In order to make the lending more affordable to the Micro, Small and Medium Enterprises (MSMEs), SIDBI had reduced its PLR to 11% p.a. Under the revised interest rate structure, direct loans to Micro Enterprise upto Rs.10 lakh would be charged between 9.5% p.a. to 11.5% p.a. based on internal rating.

Interest rate for rupee term loans to MSMEs (including loan to micro enterprises above Rs. 10 lakh) ranges from 10.75% p.a. to 12.75% p.a. based on the internal rating. Besides, SIDBI provides interest rebate upto 1% p.a. to SIDBI`s assisted borrowers.

(c) & (d) To alleviate the problems of credit delivery faced by Micro and Small enterprises (MSEs) specially in the wake of Global slowdown, Government of India has taken a number of measures which include viz. Special refinance to SIDBI for Rs.7000 crore to provide onlending to MSME sector at a cheaper rate; fixing self targets for financing MSME sector by banks adopting a cluster based approach; enactment of MSMED Act, 2006, protection against delayed payment by buyers including large corporate borrowers; restructuring of SME loans; creation of MSME refinance fund under SIDBI and enhancing collateral free limits under CGTMSE for micro enterprise borrowers under two stimulus packages etc.

(e) A loan agreement with World Bank for a Loan of USD 400 million has been signed by SIDBI in June, 2009 to provide financial assistance to Micro, Small and Medium Enterprises (MSMEs)

(f)& (g) Yes, Sir. 4 State Governments including Karnataka State Government had approached Government of India for resuming refinance to their State Financial Corporations (SFCs). After considering the matter, RBI was requested to permit SIDBI to commence refinance to these SFCs subject to the condition that the respective State Governments give commitments to adequately capitalize the SFCs and turn their net worth positive before end of FY 2009. Based on the commitments made by the concerned State Governments, RBI permitted SIDBI to provide refinance to these SFCs (including Karnataka State Finance Corporation). Refinance support to these SFCs has since commenced.